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Financial Balance – An Important Objective for the Stakeholders in Romania's Energy Sector

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Abstract

The annual financial statements represent the main point of view through which the stakeholders assess an entity's financial position. An important aspect followed by the stakeholders is the existence of a solid financial position, which is manifested through a financial balance. The present study seeks to analyze the financial position of the Romanian entities that are representative to the energy sector, based on specific indicators of appreciating the financial balance. Within the analysis, indicators such as net situation, working capital, the need of working capital, net treasury and many others were taken into account.
Also, within the study we tried to highlight the main differences between the analysis of the financial balance based on the regular balance sheet and its analysis based on the financial balance sheet. Thereby, one of the main objectives of this study is to present the main advantages that the financial balance sheet brings to the analysis of the financial balance and raising the awareness of the stakeholders towards this approach.
The results of the study have shown significant differences between the analyzes made on different types of balance sheets. These results could open new research directions, such as more detailed analyzes based on the financial balance sheet, but could also raise the awareness of the stakeholders (except the governments) about the fact that the balance sheet, in its present form (form which is imposed by the law), has some boundaries, and for a meaningful analysis of the financial position (financial balance) it is often necessary to resort to derivative forms of the balance sheet.

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1. Introduction

Analysis of the concept of financial balance remains a present concern of researchers in accounting due to the usefulness of this concept in assessing the financial position of an entity. The conception that the financial position of an economic entity is expressed by the indicators presented in the balance sheet is no longer valid. Theory and practice of financial accounting have developed a number of specific practices expressing financial position and other aspects. The balance sheet remained the supplier of the raw data to apply these practices.

This study aims to highlight current approaches regarding the analysis of financial balance in terms of theory and their application in the energy sector in Romania, trough one sample formed by the entities listed at Bucharest Stock Exchange that are activating in energy sector.

One of the main objectives of the study was detailing the classical analysis of the financial balance by developing methods expressing the financial equilibrium resorting to different indexes. Starting from the idea that financial equilibrium is expressed most relevantly based on the Financial balance sheet, another objective of this study was drawing up an comparative example of the optical based on Financial balance sheet and the optical based on Accounting balance sheet, the results showing that the differences are significant.

Thus, the main research question of this study can be stated as “Do the classical indicators used for appreciating the financial balance give enough information about the financial position of a company?”.

2. Research methodology

Given the high importance of the concept of financial balance, it requires analysis to be carried from the main objectives imposed by any scientific research: highlighting the current state of knowledge in this field and to play empirical analysis showing how the concept manifests itself practically.

In order to emphasize the current state of knowledge, it turned to reviewing some literature references, aiming at highlighting current concepts on financial balance.

The empirical analysis started from the importance that energy sector has in the national economy so as to create value at the macroeconomic level and in terms of the importance of this sector to other economic and social sectors in Romania. Analysis of the financial equilibrium has in view the calculation of the base indicators to characterize it (Net situation, Working capital, The need of working capital, Net treasury) of the entities from energy sector that are listed at Bucharest Stock Exchange, on their 6 last years. However, the analysis took into account the definition and implementation of indicators expressed in relative value by which to assess the intensity of unfavorable values of classical indicators used in measuring the financial balance.

Another useful issue brought by this study is the antithesis analysis of the Financial Equilibrium based on Accounting balance sheet and the Financial balance sheet, analysis that have highlighted the significant differences between the two approaches.

3. Literature review

The concept of financial balance is very common in the specialized literature, but because of the frequent changes that occure in the financial and economic activities, and also in the social ones, we can say that the level of knowledge and the state of the analysis of this concept is recording a rapid rate of obsolescence. The transformations undergone by this concept (at the level of an economic entity) made it a very useful tool for the management, but the trend towards which it should aim is that of being used by all the categories of stakeholders. Its importance is very high even when economic and financial analyzes are made at different levels, such as: economic sectors, groups of entities, entities assigned to certain geographical areas, entities categorized by size, etc. However, it is worth noting the fact that the analysis of the financial balance has a high importance for making a financial diagnosis.

It should be mentioned the fact that the financial balance is a phenomenon often analyzed at macroeconomic or even global level (Georgescu, G., 2013), but the object of the present study comes down to analyzing it at the level of economic entities. We are focused on the analysis at this level, considering the a healthy financial balance at the level of economic entities has positive consequences on the financial balance at macroeconomic level, this being strengthened by the study published by Cuadro-Saez, L., and Garcia-Herrero, A., (2005) according to which the financial balance found at the level of the banking entities (correlated with equity markets) influences the economic growth of a country. Nevertheless, we have to admit that also the reverse is applicable, meaning that the financial balance at macroeconomic level is found in the financial balance from the level of the economic entities. Relatively recent studies (Gennaro, Z., 2009) have shown that monitoring and ensuring financial balance at macroeconomic level can lead to a reduction of the interventions on a country's fiscal policies, with positive consequences even at microeconomic level.

In general, the concept of balance suggests the idea of a harmony between the components of a system, manifesting itself in the economic and financial analysis of an entity through the existence of a harmony between the resources of an entity and the sources of their origin (Pavel, R. M., 2015).

If we strictly refer to the financial balance, the concept is defined by Danuletiu, A. E., (2006), as the state of a company characterized by the existence of reliable and strong connections, reflected by a system of correlations between the needs for financial resources (arising from the application in practice of the objectives of the entities) and the actions that are considered to be effective and practical in order to obtain the necessary funds, with minimum costs and risks. Taking further the idea, we consider that a healthy financial balance should not be seen strictly through the existence of this correlation, but we can say that financial balance exists only when this correlation is expressed through indicators that fall within normal limits.

Other authors (Pocioalisteanu, D., M., et. al., 2010) see financial balance through an economic entity's ability to continuously face debts payments, debts arising from the entity's activity, in order to avoid the risk of bankruptcy.

Literature consecrated the idea that the financial balance of an entity is appropriate when capital providers / shareholders and creditors are being remunerated in strict correlation with the assumed risks (Charreaux, G., 2012).

The importance of the financial balance analysis is, however, high, especially the management. Assuming the fact that financial balance is a basic condition for a high profitability, it is very important to know the eventual imbalances from the past, together with their causes, in order to avoid them, in the future (Buse, L., et. al., 2008).

Certainly, like other financial aspects from an economic entity, financial balance can be perceived differently depending on the action of certain factors of influence. For example, a study published by Burja, V., and Rus, L., (2012) shows how easily an entity's financial balance can be affected by the classification of the entity's shareholders loans as short term or long term debts.

The empirical analysis of the financial balance was made by following the evolution of some indicators such as net situation, working capital, the need of working capital and net treasury. This type of indicators have an important significance in the analysis of the financial balance, assessing it in static form, unlike indicators such as the rotation speed of various economic elements, which are the expression of a dynamic analysis of the financial balance (Suciu, G., 2013).

The empirical study was carried out by analyzing information provided by the balance sheet (financial position statement) of entities from the energy sector listed on the Bucharest Stock Exchange, such as: Romgaz (SNG), Petrom (SNP), Electrica (EL), Transgaz (TGN), Transelectrica (TEL), Nuclearelectrica (SNN), Conpet (COTE), Rompetrol Rafinare (RRC), Oil Terminal (OIL), Petrolexportimport (PEI) and Dafora (DAFR). The observation was made based on the individual financial statements (except Electrica) of the entities mentioned above for the years 2009, 2010, 2011, 2012, 2013 and 2014. All the amounts are expressed in million lei.

4. Results and discussion

Regarding net situation, this indicator shows the wealth of the shareholders after the deduction of all liabilities. If we want to calculate net situation based on the balance sheet as it is currently drawn by some entities (according to a study by Berceanu, D., et. al., 2010, the balance sheet is the main support on which financial balance is analyzed, but it is recognized that through its processing and conversion into a financial statement, we obtain an analysis that characterizes more accurately the financial balance of an entity), we consider that we should take into account that the provisions (due to their character that gives the possibility of an outflow of resources) and the deferred income (whose collection was generated by the future fulfillment of some services, which in case of bankruptcy would be impossible) should be also deducted from the total assets, if they were not included in the debts category.

In our opinion, the most appropriate method of determining net situation is calculating it starting from the financial balance, treating the deferred income as short term debts and provisions as long term or short term debts. Moreover, also other studies approach the analysis of the financial balance through the financial statement and the functional balance (Onica, M. C., et. al., 2015). Given the fact that these types of balance sheet are drawn rather in the spirit of continuity, we subscribe to the idea according to which these approaches give a semi-static character to the analysis (Belețu, E. C., 2010). The issue of the provisions is often seen as a major influence factor with high consequences on the financial balance. In a study made by Gadawska, J., (2011) it is shown that elements such as provisions or reserves can have major influences in the evaluation of an entity.

Moreover, by analyzing the situation of the financial position of the companies that have entered into the study area (of which the annual reports are drawn up according to IFRS, because of the fact that their shares are listed on the BSE), we have noticed that IFRS requires a reporting more similar to the requirements of a financial statement.

Thus, in the last two years analyzed, only one entity from the eleven analyzed excluded the provisions from the debts, the other ten of them including the provisons in the short term or long term debts, even though there is no specific requirement regarding this aspect.

The reporting of other companies (that do not apply the IFRS reporting) is rather similar to the model imposed by the Annexes of the Directive 2013/34/EU, in which provisions and deferred income are treated as separate indicators in the balance sheet, not being included in the debts. From this simple comparison of these two approaches, we can see that between them exists a significant antithesis: liberalization versus strictness.

However, in the analysis presented below, net situation is determined applying the classic formula, namely:

$$Net\ situation = Total\ assets - Total\ liabilities\ (1)$$

Thus, through the analysis we obtained the values of the net situation presented in Table no. 1:

Table no. 1 – Net situation in the energy sector between 2009 and 2014

Company	**Analyzed financial period**						**Average**
	2014	2013	2012	2011	2010	2009	
SNP	26315.63	26164.75	22911.45	20697.13	18089.62	20244.75	22403.89
SNG	9712.02	9292.77	9344.76	9163.62	8682.66	8593.50	9131.56
TGN	3326.97	3072.64	2987.57	3008.67	2960.19	2809.02	3027.51
TEL	2813.09	2613.89	2430.74	2424.08	2295.51	2579.19	2526.08
RRC	1176.80	2263.05	2143.72	-217.29	494.46	1184.83	1174.26
DAFR	-58.15	-50.98	112.03	134.73	135.48	165.84	73.16
COTE	723.43	650.75	579.68	562.77	557.76	517.42	598.64
OIL	415.76	439.70	398.14	351.10	199.06	165.75	328.25
EL	6317.14	6659.37	6371.81	5946.36	7495.78	7956.00	6791.08
SNN	7488.26	7698.43	7203.89	7196.21	6690.26	7286.52	7260.60
PEI	13.37	14.76	20.17	19.02	18.78	22.93	18.17
Average	5294.94	5347.19	4954.91	4480.58	4329.05	4684.16	4848.47

Source: author's own processing

From the analysis of the values presented in Table no. 1 we can see that the registered averages, both annual and at the level of each company, have positive values, which means that the analyzed sample taken from the energy sector presents a satisfactory level of the financial balance characterized through net situation. However, we cannot help noticing the continous negative evolution of the indicator in the case of DAFR. This continuous downward trend could have represented, at a moment in time, a signal that DAFR if heading towards insolvency (thing that really happened in 2015).

This failure could have been predicted even more earlier, due to existing studies that have drawn an alarm signal regarding the incorrect direction towards to the entity is going (Miron, V. C. I., 2015).

The evolution of annual net situation is graphically represented in Figure 1:

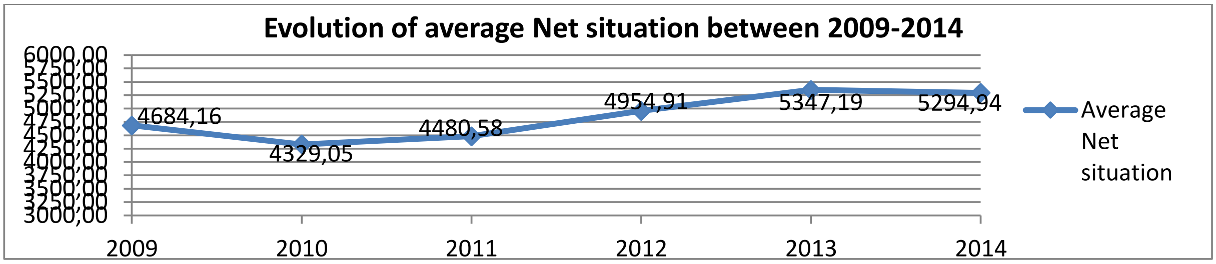

Fig. 1 – Evolution of average net situation between 2009 and 2014

Source: author's own processing

As shown in Figure no. 1, the general evolution of the average net situation at the level of the analyzed sample from the energy sector is a positive one, this being a favorable aspect for the energy sector. In 2010 we can see a decrease in comparison with the previous financial period, but, taking into account the macroeconomic context from that time (the economic and financial crisis), we consider that the evolution is not an uncommon one. What makes us reserved regarding the future evolution of the indicator is its decrease registered in 2014 compared to 2013. Even though it is not a sharp drop, we consider that this aspect open new directions of research, through which posible causes can be identified.

As an indicator for assessing financial balance, net situation taken into account the entity' approach based on assets, highlighting the net assets that would remain to the owners in case of bankruptcy. Besides the function of characterizing financial balance, net situation is often used in the evaluations based on assets. These aspects are often treated in studies that try to highlight the importance of net asset (net situation) in the evaluation of a company (Berceanu, D., and Sichigea, D. F., 2006). However, specialized literature contains few studies that treat the particular aspects that could distort this indicator, aspects such as goodwill.

Nevertheless, taking into account the fact that net situation is an indicator in absolute value, it is hard to appreciate if a certain level of this indicator is satisfactory or not. In general, we can say that since this indicator is positive, in case of bankruptcy, a part of the existing liabilities could be covered on behalf of the assets and after that the shareholders/owners will remain with the corresponding part of the total assets of the entity.

Thus, (taking into account the fact that we are trying to fulfil the informational needs of different categories of stakeholders, from which shareholders/owners represent an important category) in order to assess what percentage of the company's assets would return to them, we have determined the percentage ratio between the net situation and total assets. The results (annual averages) are presented in Figure no 2:

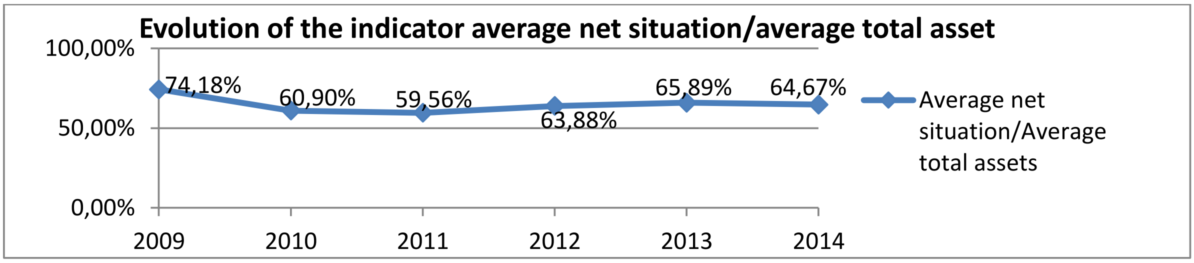

Fig. 2 - Evolution of the indicator average net situation/average total asset between 2009 and 2014

Source: author's own processing

In our opinion, the results shown in Figure no. 2 should be satisfactory for the stakeholders from the shareholders/owners category. Considering the fact that we are dealing with a sector such as the energy one, in which investments should be permanently maintained at elevated levels (aim which cannot be completely fulfilled from own sources, this having negative consequences on net situation), it is required that the shareholders/owners consider as sufficient a remuneration of more than 50% of the total assets in the case of bankruptcy.

Analysing this indicator at the level of each company selected from the energy sector (percentage ratio between the average net situation of each entity between 2009 and 2014 and average total assets of each entity between 2009 and 2014), we found out that between the analysed companies exist big discrepancies, as shown in Figure no. 3:

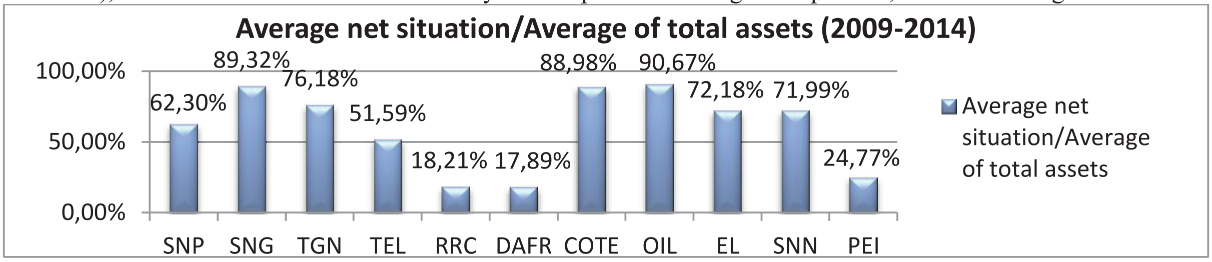

Fig. 3 - Average net situation/Average total asset (2009-2014)

Source: author's own processing

Starting from the situation presented in Figure no. 3, we can see a solid financial balance in the case of some entities such as SNG, TGN, COTE or OIL, but we can also see a fragile situation for RRC, DAFR and PEI.

These aspects could represent a solid basis for potential investors (of course, correlated with other specific indicators) in the process of making a decision regarding the investment in certain companies in the detriment of others, or, taking into account the relatively good results of the annual average at the level of the analyzed sample, investments in different derivative instruments could be made (certificates, fund units etc.), instruments which have as support asset indexes from the energy sector.

This approach of the financial balance (based on net situation) sees it as being characterized by the usage of the financing sources by dividing them into own sources and and foreign sources.

If we follow the financial balance as a way to ensure optimal allocation of the financing sources to certain economic resources, these (financing sources and economic resources/assets) should be analyzed using the liquidity criteria and the eligibility criteria. This aspect starts from the premise that long term resources should be financed from long term financing sources and short term resources should be financed from short term financing sources.

Thus, theory and practice from the financial analysis area has developed two basic indicators for assessing the financial balance of an entity: working capital and the need of working capital.

Many authors (Berceanu, D., et. al., 2010) present working capital as the most important indicator in the analysis of the financial balance, this indicator highlighting the result of arbitration between long-term financing and short-term financing. Calculated as a difference between permanent capital and non-current assets (2), working capital is an indicator that characterizes the financial balance depending on whether it is positive or negative. In case of a positive working capital, we are dealing with a healthy financial balance, given the fact that a part of the long term financing sources remain available to the entity in order to finance current assets. The case in which we are dealing with a negative working capital, this translates into a bad management of the financial balance. In such a situation, a part of the fixed assets (which contribute to the incensement of the value of the company over a long period of time) are being financed from current sources (with immediate maturities and with higher costs than the permanent ones).

$$Working\ capital = Permanent\ capital - Non\ current\ assets\ (2)$$

In the analyzed sample there were registered both positive and negative values of the working capital, as presented in Table no. 2:

Table 2 – Working capital in the energy sector in the period 2009-2014

Entity	**Analyzed financial year**						**Average**
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	
SNP	-554.84	-222.46	-1348.65	434.00	553.39	-5364.53	-1083.85
SNG	3695.08	3469.25	3640.58	3092.91	2523.25	2804.60	3204.28
TGN	675.71	377.16	206.95	197.28	234.06	-51.79	273.23
TEL	730.97	490.05	201.81	165.55	91.17	-110.54	261.50
RRC	-3140.33	-2560.44	-2175.10	-4463.43	-3340.19	-2035.57	-2952.51
DAFR	-36.85	-70.25	52.19	11.72	-14.60	22.49	-5.88
COTE	309.91	237.00	204.68	160.65	145.58	119.18	196.17
OIL	-6.91	-2.86	-14.28	-12.40	-6.72	-111.03	-25.70
EL	2548.95	2668.45	306.84	125.97	-948.12	134.87	806.16
SNN	1361.62	1515.29	-552.77	-872.27	826.69	1656.32	655.81
PEI	26.45	26.59	32.10	28.96	21.49	19.91	25.92
Average	509.98	538.89	50.40	-102.82	7.82	-265.10	123.19

Source: author's own processing

By analyzing the data presented in Table no. 2, we can see that we are dealing with a favorable situation of the financial balance characterized by the working capital. Thus, at the level of the annual averages we note that only in 2 of the 6 analyzed years it is registered a negative working capital, and in terms of the averages from the level of each entity only 4 of 11 companies have recorded a negative working capital. The sample is characterized by companies with a high degree of financial balance (characterized through the workign capital) like SNG, but also by entities such as RRC or OIL, which in every analyzed year have recorded a negative working capital. Just like the net situation indicator could have given a clue regarding the insolvency of DAFR, also in this case working capital could indicate a possible insolvency for RRC (however, in 2015, Rompetrol group, within RRC is the biggest company, filed an application for entering into insolvency, but the application was rejected in court).

The evolution of the annual average of the working capital is presented in Figure no. 4:

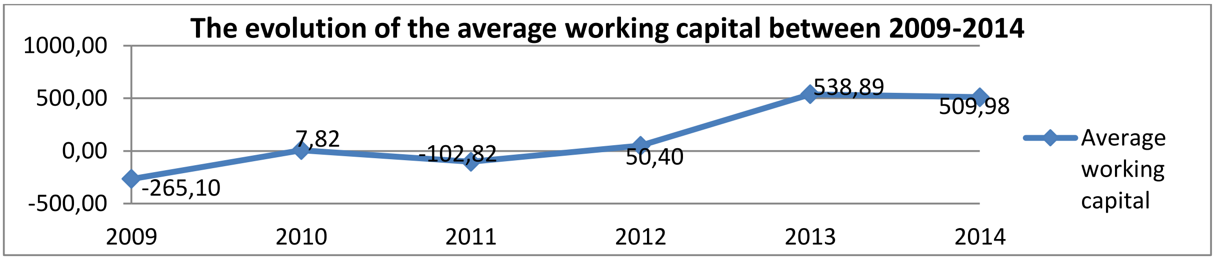

Fig. 4 – The evolution of the average working capital between 2009 and 2014
Source: author's own processing

By analyzing the evolution of the working capital according to Figure no. 4, it appears that we have a positive evolution throughout the period. Moreover, the companies from the analyzed sample have managed to improve and increase the level of the indicator for almost 3 times, starting from -265,1 in 2009 and reaching to 509,98 in 2014. As in the case of the net situation, the negative trend of the working capital from 2014 makes us feel retained regarding the future evolution of this indicator.

Even though the basic principles of a balanced financial situation say that a negative working capital is the consequnce of an incorrect financial management, we can say that in practice certain impartial situations could lead to this result: sustained investment policies, difficult access to long term financing sources, etc. Taking into account the fact that also in this case we are dealing with an indicator in absolute value, we consider that the research could be detailed in order to determine which percentage of the non-current assets is not covered by the permanent capital (obviously, this detailing cannot be done for the companies and years in which a negative working capital was registered). Thus, in situations like the ones mentioned above, we consider that if the indicator does not exceed 10-15%, this doesn't necessarily mean that we are dealing with a totally incorrect financial management. The results are presented in Table no. 3:

Table 3 – Part of non-current assets covered from short term financing sources

Company	**Analyzed financial period**					
	2014	2013	2012	2011	2010	2009
SNP	1.48%	0.65%	4.12%	-	-	24.12%
TGN	-	-	-	-	-	1.76%
TEL	-	-	-	-	-	3.24%
RRC	68.83%	50.63%	47.83%	103.78%	85.74%	57.03%
DAFR	17.86%	29.58%	-	-	4.79%	-
OIL	1.52%	0.63%	3.43%	3.40%	3.30%	65.23%
EL	-	-	-	-	13.28%	-
SNN	-	-	6.06%	9.49%	-	-

Source: author's own processing

Thus, based on the data presented in Table no. 3, we can assert that some companies (SNP for the period 2012-2014, TGN and TEL in 2009, DAFR in 2010, OIL in the period 2010-2014 and SNN in 2011 and 2012), even though they recorded a negative working capital, we consider that they do not register a real financial imbalance (taking into account the fact that the percentage of the non-current assets covered from short term sources is under 10%). However, we draw the attention on some entities such as DAFR, but especially RRC, which, in our opinion, will face some problems in the next years in the attempt to bring the financial balance at a positive and stable level (or as close as possible to 0).

This kind of analysis has the advantage of being applicable also for determining the percentage in which the positive values of the working capital determine the financing of the current assets from long term financing sources. This is achieved through the ratio between positive working capital and current assets (excluding cash and equivalents). The results are recorded in Table no. 4:

Table 4 – Percentage of the current assets financed from long term sources

Company	**Analyzed financial period**					
	2014	2013	2012	2011	2010	2009
SNP	-	-	-	8.45%	10.24%	-
SNG	84.67%	82.00%	86.38%	76.06%	82.71%	79.25%
TGN	67.84%	53.86%	36.81%	28.67%	40.70%	-
TEL	37.35%	33.07%	17.42%	10.70%	10.74%	-
DAFR	-	-	29.85%	8.52%	-	14.60%
COTE	80.34%	77.45%	78.02%	64.18%	62.90%	57.03%
EL	67.70%	64.74%	16.67%	6.62%	-	4.78%
SNN	74.00%	44.30%	-	-	66.08%	82.65%
PEI	39.62%	42.65%	53.50%	50.04%	35.40%	33.48%

Source: author's own processing

The analysis of these percentage ratios reveals favorable situations for some entities. Thus, according to Table no. 4, we can see that there are cases in which the majority of the current assets are largely financed from long term financing sources. This highlights a solid financial balance, taking into account the fact that current assets bring more value in a shorter time than the payment term of the long term financing sources, with favorable consequences for the companies that find themselves in this kind of situation.

Another key indicator in assessing the financial balance is the need of working capoital, which is the expression of the short term financial balance (characterized by the relation between current assets and short term financing sources). Specifically, the indicator can be determined using the following formula:

$$Need\ of\ working\ capital = Current\ assets\ (excluding\ cash\ and\ equivalents) - Current\ liabilities \quad (3)$$

A positive need of working capital means a temporary surplus of needs in comparison with the temporary resources. This situation can be normal, if it is determined by the increase of the stocks and clients as a result of an investment policy. The situation is unfavorable if it is determined by the increase of clients (slowing down cashing) and decrease of debts (speeding up payments).

In case of negative values, we consider that this is not healthy for the company's financial balance, because of the fact that short term financing sources could be directed to non-current assets. In some cases, this situation is accepted only if it is the result of the acceleration of the rotation speed of the current assets and of the future employment of some debts with more relaxed maturities. Otherwise, a negative level is a sign of an improper supplying of stocks.

The results registered by this indicator during the 6 analyzed financial periods are presented in Table no. 5:

Table 5 – Need of working capital in the period 2009-2014

Entity	Analyzed financial year						Average
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	
SNP	-1500.43	-1308.64	-1978.47	-109.01	-895.83	572.35	-870.01
SNG	1741.30	1905.66	1901.25	1664.26	1714.91	2310.25	1872.94
TGN	117.79	109.91	28.31	296.46	186.08	-50.76	114.63
TEL	-134.27	-110.66	-93.69	-22.75	-46.11	-35.13	-73.77
RRC	-3154.23	-2787.00	-2573.17	-4421.77	-3223.96	-2434.77	-3099.15
DAFR	-157.60	-174.17	26.67	6.58	0.60	19.33	-46.43
COTE	-25.47	-12.49	221.15	181.08	170.33	-13.46	86.86
OIL	-3.00	-3.30	-12.76	-10.62	-5.97	-20.53	-9.36
EL	919.43	2017.61	-335.10	-373.37	-292.21	1503.48	573.31

SNN	209.32	776.00	-774.17	-971.43	729.93	1189.25	193.15
PEI	26.31	26.18	38.02	33.45	26.42	24.25	29.11
Average	-178.26	39.92	-322.91	-338.83	-148.71	278.57	-111.70

Source: author's own processing

Noting the data presented in Table no. 5, we find that, overall, and we are dealing with a sample characterized by slightly unsatisfactory values. In 4 years from the 6 analyzed and in the case of 5 out of 11 analyzed entities, there are average negative values of the need of working capital. We believe that the study is conducted for some of the most significant companies from the energy sector, which should be a guarantee of a professional financial management.

The dynamic evolution of the need of working capital (annual averages at the level of the whole sample) is displayed in Figure no. 5:

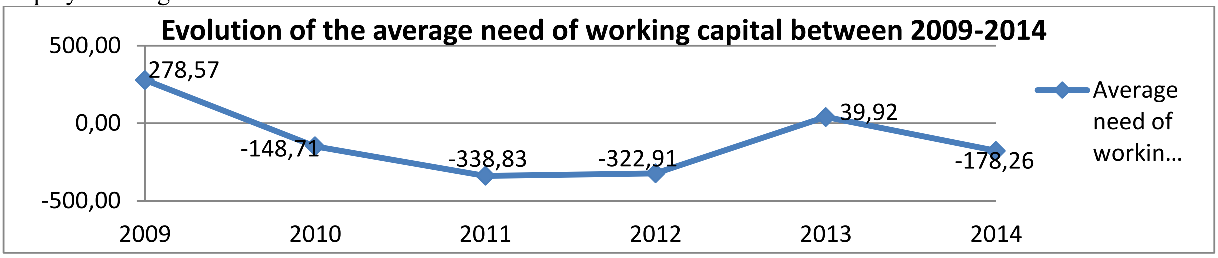

Fig. 5 – Evolution of the average need of working capital in the period 2009-2014

Source: author's own processing

Based on Figure no. 5, we find that the evolution from one year to another of the need of working capital is an interesting one, but unsatisfactory: at the end of 2009 (marked by the financial crisis) we can see an unexpectedly high (and positive) level of the indicator; the following 2 years (2010 and 2011) are characterized by serious damages, with a slight recovery in 2012 and 2013. 2014 returns the indicator into the realm of negative values, with unfavorable consequences on the financial balance.

However, just like in the cases of the net situation and the working capital, we consider that an assessment based only on absolute numbers is not complete. Referring ourselves to the negative values registered by some companies, we consider that these should be analyzed also based on indicators expressed in relative values that represent the ratio between the need of working capital (negative) and short term debts (this indicator showing the percentage from the short term debts that is incorrectly assigned towards financing non-current assets). In our opinion, in case this ratio has values under 10-15%, we can consider that the negative level can be attributed to some objective influence factors, with no elevated risks on the health of the financial balance. The results are showed in Table no. 6:

Table 6 – Assessment of the negative value of the need of working capital in relative size

Company	**Analyzed financial period**					
	2014	2013	2012	2011	2010	2009
SNP	24.06%	28.10%	32.75%	2.33%	18.34%	-
TGN	-	-	-	-	-	14.64%
TEL	10.95%	11.16%	9.79%	1.64%	5.75%	5.10%
RRC	65.17%	58.08%	51.52%	66.57%	58.10%	61.01%
DAFR	66.90%	62.71%	-	-	-	-
COTE	33.57%	18.10%	-	-	-	19.81%
OIL	18.61%	16.83%	46.28%	40.80%	24.14%	80.48%
EL	-	-	21.85%	21.00%	19.43%	-
SNN	-	-	38.89%	44.97%	-	-
PEI	-	-	-	-	-	-

Source: author's own processing

Also this kind of analysis confirms the slightly unstable situation felt by the companies from the analyzed sample. We can see that only 3 entities (TGN, TEL and SNP in 2011) have a level under 15%. The indicator registers alarmingly high values (often over 60%) in the cases of RRC and DAFR, this highlighting a major financial imbalance.

The synthesis of the whole financial balance (both short term and long term) of an entity is expressed through the net treasury indicator. The calculation of the net treasury is made using the following formula:

$$Net\ treasury = Working\ capital - Need\ of\ working\ capital \quad (4)$$

If we are dealing with a positive net treasury, we will consider a surplus of financing due to an efficient activity, and the enrichment of the treasury shows that the company has sufficient liquidity and this will allow it to reimburse its liabilities and to make some effective investments on both monetary and financial market. In this context, the entity enjoys a short term financial autonomy.

If the net treasury is negative, then the company is facing a financial imbalance, there is a monetary deficit that will be covered out of new monetary resources (short-term loans or cash). This shows that the economic entity depends on external financial resources. If we rely on external financing, the company will be interested to choose those sources characterized by the lowest cost possible (or optimal ratio between the cost and risk). Ideally, in order to achieve deficit coverage it is recommended the usage of several types of sources of funding. When Net cash is negative, short term financial autonomy is limited, but the insolvency does not appear by default†.

The results recorded by the entities from analyzed sample are shown in Table no. 7:

Table 7 – Net treasury between 2009 and 2014

Entity	Analyzed financial year						Average
	2014	2013	2012	2011	2010	2009	
SNP	945.59	1086.18	629.82	543.01	1449.22	-5936.88	-213.84
SNG	1953.78	1563.59	1739.33	1428.65	808.34	494.35	1331.34
TGN	557.92	267.25	178.64	-99.18	47.98	-1.03	158.60
TEL	865.24	600.71	295.50	188.30	137.28	-75.41	335.27
RRC	13.90	226.56	398.07	-41.66	-116.23	399.20	146.64
DAFR	120.75	103.92	25.52	5.14	-15.20	3.16	40.55
COTE	335.38	249.49	-16.47	-20.43	-24.75	132.64	109.31
OIL	-3.91	0.44	-1.52	-1.78	-0.75	-90.50	-16.34
EL	1629.52	650.84	641.94	499.34	-655.91	-1368.61	232.85
SNN	1152.30	739.29	221.40	99.16	96.76	467.07	462.66
PEI	0.14	0.41	-5.92	-4.49	-4.93	-4.34	-3.19
Average	688.24	498.97	373.30	236.01	156.53	-543.67	234.90

Source: author's own processing

According to the data presented in the Table no. 7, we notice that there are 3 entities (SNP, OIL, and PEI) of the 11 analyzed which recorded a negative net Treasury. Of those, SNP reveals a negative surprise, which is caused by the value recorded in 2009 (possibly caused by the financial crisis). However, on the basis of the Table no. 7, we conclude that over the analyzed sample we are dealing with values that give generally a pretty healthy financial balance (given that most of the values are positive, even if there are only two of the 11 analyzed entities - SNG and SNN - which recorded only positive values during the six analyzed years).

The dynamic evolution of annual average net cash is shown in Figure no. 6:

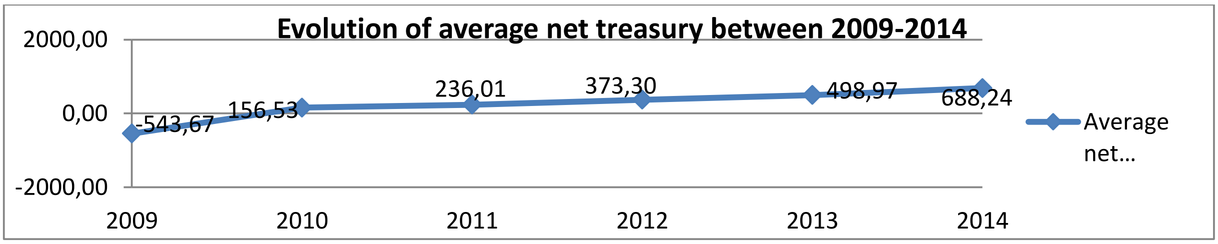

Fig. 6 - Evolution of annual average net cash between 2009 and 2014

Source: author's own processing

As shown in Figure no. 6, it is obvious that trends in financial balance from energy sector (expressed in this case by the net treasury) are positive. The increase from year to year of the Net treasury (which in practice translates into a positive cash flow) reflects an increase of real assets and the owner's wealth.

†http://www.contabilii.ro/index.php?option=com_content&view=article&id=3326:analiza-indicatorilor-de-echilibru-financiar&catid=163:ceccar-in-stagiu-anul-i&Itemid=204 accessed at 25,07,2015;

The information discussed above is a source of valuable information for stakeholders in the decision making process, especially for current and/or potential shareholders, such analysis starting from the assumption that raw data presented in the balance sheet did not give a high enough informative power.

We also consider that a more appropriate method in order to achieve financial equilibrium analysis is to determine basic indicators starting from the financial balance sheet. The basic idea of the Financial balance sheet is to arrange the property items on classic components of assets and liabilities, with increasing liquidity criteria for assets, and the increasing exigibility criteria for the liability and equity components, and application of specific adjustments over the financial statement for the transition to Financial balance sheet Dragan, M., et. al. (2015).

To reflect the impact on the financial equilibrium that is given by the Financial balance sheet analysis in antithesis with the Accounting balance sheet, we conducted a comparative analysis on SNP in 2011 (this year was chosen because it is the last year that reporting for BSE listed entities was based on reporting rules comply with European Directives, to illustrate major differences to the approach under IFRS which is much closer to the Financial balance sheet optics).

The results and differences of approach based on the Financial balance sheet are shown in Table no. 8:

Table no. 8 – Accounting balance sheet vs. Financial balance sheet for SNP (2011)

Indicator	Accounting balance sheet	Financial balance sheet	Differences (%)
Net situation	20697.13	23743.97	14.72%
Working capital	434	553.69	27.58%
The need of working capital	-109.01	-13.33	-87.77%
Net treasury	543.01	567.03	4.42%

Source: author's own processing

The results presented in the Table. 8 shows a substantial improvement to the financial balance comparative to the analysis made on Accounting balance sheet. For example, it is found that the wealth of the owners in case of a bankruptcy is 14.72% higher in analysis made on financial balance sheet. More favorable developments can be found regarding the working capital and the need for working capital, while the net treasury is increasing by 4.42%.

This kind of analysis of financial balance should represent a current interest for entities that are issuing the reports, because it can be an effective means of attracting potential investors. It is obvious that the current reporting model (given that the presentation is often required by national legislation) is limited to meeting the needs of state information, sometimes neglecting other categories of stakeholders.

Moreover, Financial balance sheet analysis has been proved useful in other studies pointing out that this approach can obtain a picture of an increased financial positions compared with the analysis made on Accounting balance sheet (Burja, C., 2006).

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Conclusions

As a result of this study it was concluded that the level of the sample analyzed (conclusion could be extended to the whole energy sector, insofar as stakeholders believe that the sample is representative) there exists a stable financial balance (characterized trough the Net cash as an indicator for appreciating the financial balance both short and long term). More important than that is the fact that trends from one year to another is positive, one aspect that allows us to affirm that the future in this area is sustainable.

However, in the analysis it was found that some entities present unfavorable values of indicators characterizing the financial balance in terms of certain values (wealth of the shareholders / associates in case of a bankruptcy, short-term financial equilibrium or long-term financial equilibrium). From this point of view the analysis focused on detailing the impact that these values can have on the financial balance, by proposing indicators expressed in relative values. Results of the analysis showed that there are objective reasons that can form the basis of slight traces of improper use of financing sources. However, in the study were proposed maximum limits (which can be considered equivalent to the materiality thresholds used in audit) that the value of certain indicators should be considered disturbing to a healthy financial balance.

The usefulness of this study is high, given that the information provided by such an analysis could form the basis of important decisions on actions or inactions of different categories of stakeholders. As shown in the study, there were values that sometimes characterize unstable financial balance for entities like DAFR and RRC. The fact that in 2015 these entities have requested the insolvency show that this kind of analysis, if done timely and properly interpreted, their findings may be the true investment guides for current and potential investors.

However, comparative analysis of financial accounts and balance sheet concluded that Financiar Balance Sheet gives different results in terms of financial balance (that thesis is certainly valid for other aspects too). The direction in which should seek the theory and practice of accounting is to promote optional reporting of such information to meet the needs of different categories of stakeholders.

Practitioners and scientific environment of financial accounting and business economic analysis must start sustained efforts for emitting a wide reporting system (even voluntary reporting) and acknowledging them from the amount of information they will get from these reports and analyzes.

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